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TREND 3:
NO "SHORE" SOLUTION TO SUPPLY CHAIN DISRUPTION

The pandemic laid bare crippling vulnerabilities in global supply chains, many of which rely on China and other overseas countries. Reshoring, nearshoring and "friend-shoring" are among the terms used to describe the movement of shipping routes closer to home. With extremely limited space available near seaports, those who manufacture, store and ship goods will move inland and, in many cases, grow their real estate footprints as they look to offset rising transportation costs.

While there's been plenty of buzz around infill warehousing, industrial developers will also be looking for "near-fill" sites in 2022 as users across industries retool supply chains. Available land is only part of the equation for development firms like **HSA Commercial Real Estate**. To have greater control over the supply chain and expedite the movement of goods, manufacturers, retailers and third-party logistics companies are gravitating to space near population centers but with easy access to highways and airports as part of a broader shift from just-in-time to just-in-case inventory management. For example, in announcing its 157,656-square-foot, full-building lease at HSA Commercial's Bristol Highlands Commerce Center in Bristol, Wis., HARIBO of America, Inc. cited the importance of the new warehouse – located just 2 miles from the firm's first-ever North American production plant – in unlocking a logistics and supply chain capacity expansion throughout the U.S.

Adam Roth, executive vice president of **NAI Hiffman** and director of NAI Global Logistics, says what impacts transportation today affects industrial real estate 1.5 years later (The Rule of 1.5), so supply chain challenges from the beginning of the pandemic are affecting real estate now. With transportation pricing rising rapidly due to recent regulations, rail changes and insurance costs – and, in some cases, unreliable domestic and international transportation – corporations must now reduce their exposure to length of haul. Three alternatives are intermodal, which is now metering; adding distribution and logistics facilities; and producing locally, which also will require facilities. "Just in case" is now replacing "just in time," meaning more absorption as corporations seek to shorten their supply chain and determine viability of North American production.

As sites and labor near congested seaports get more expensive, developers will turn to inland sites that are less costly while still offering proximity to transportation and population centers. Case in point: National developer **CRG**, whose Class A warehouses, branded as The Cubes, are being snapped up by premier e-commerce and other users, is developing The Cubes at Interstate Centre II in Bryan County, Ga., 25 miles from the Port of Savannah. With an expansion of the port expected to significantly increase capacity, The Cubes project is strategically positioned to address the resulting demand for industrial space. This year, CRG has planned, broken ground on or completed over 43 million square feet of The Cubes-branded projects throughout the U.S., 25 million square feet of which has already been delivered.

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